07 March 2016

Eurogroup statement on Cyprus

The Eurogroup supports the Cypriot government's decision to exit its macroeconomic adjustment programme without a successor arrangement. The Eurogroup commends the Cypriot authorities for the overall successful implementation of the programme and the important achievements made in the past three years, and also thanks the institutions for their vital contribution towards this end.

The Eurogroup welcomes the fact that economic activity has continued on a positive trend, and the banking system has further healed. The commitment of the authorities and the Cypriot people to the overall programme agreements has also been essential to a fiscal performance that has exceeded expectations. These positive developments have been instrumental in regaining investor confidence in the Cypriot economy, with the sovereign returning to the international markets.

The Cypriot banking system in particular has undergone a deep transformation. The ground covered since March 2013 has been significant and the reform measures, which have been executed or are underway are essential to restoring the Cypriot financial system to viability. However, work must continue with determination to secure the reduction of the non-performing loan ratio to healthier levels. This includes the rigorous and swift implementation of the insolvency framework and foreclosure laws adopted in 2015 together with further measures including the legislation on sale of assets and effective use of the full range of the available non-performing loan management tools.

At the same time, the Eurogroup notes that the last prior action under the current review has not yet been completed. The privatisation of the Cypriot Telecommunications Authority would be another growth-enhancing step. Along with public administration reform and other structural reforms discussed during the programme, this would cement the improvements in public finance and support sustained economic growth.

In total, about 30% of the EUR 9 bn programme envelope remains unutilised. We note that the IMF programme is expected to come to an end today, 7 March.

Against this background, the Eurogroup welcomes the reaffirmed commitment by the Cypriot authorities to sustain public finances consolidation and the reform momentum over the medium term, in order to address the remaining vulnerabilities. The Eurogroup will continue supporting the reform process in Cyprus, inter alia in the context of post-programme surveillance and of the regular EU and euro-area specific monitoring frameworks.